

VIRGINIA BUSINESS REPORT

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Business in Virginia September, 1984 Data

With the fall season the economic currents are switching from month to month as the State and nation are adjusting to a lower rate of growth. The cumulative year-to-date changes give a clearer view of where we stand, so those changes are discussed at some length in this month's second article, and two additional tables are provided for comparisons with prior years. The front page will be devoted solely to some comments on the most recent monthly changes.

In August and September, Virginia still maintained a very reassuring rate of growth. That is demonstrated most clearly by the August employment growth of 4.2 percent from August 1983, a growth rate about equal to the year-to-date growth of 4.3 percent. A very healthy sign pointing to continued retail trade growth for the remainder of 1984.

Chart I

Nine Selected Business & Economic
Indicators Percentage Change

See Page 2 for September, 1984; Page 3 for September, 1983

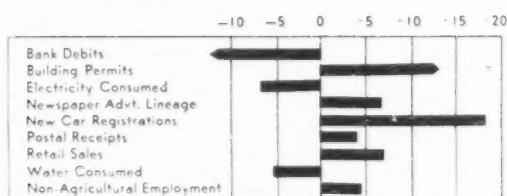
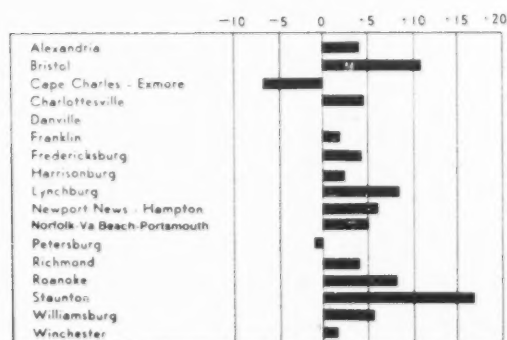


Chart II

City Indices

See Page 4 for September, 1984; Page 5 for September, 1983



New car registrations in September continued to grow Statewide at a strong pace, 17.7 percent over a year ago, and only slightly below the 20.5 percent rate in August. However, the growth rates in the individual urban areas have become more uneven in recent months, suggesting the overall growth will be somewhat lower in the coming months. Still a high level, but not as much growth.

Consumers in general appear to be shifting more of their spending to nondurable goods, such as apparel, and services, with a lower percent of their income being spent on durable goods. This produces different signals from our two retail sales indicators for Virginia. Our retail sales sample primarily reflects sales of nondurable goods and services in the prior month. In August that indicator was very strong, with growth well above the national rate, and in September the 7.2 percent increase still matched the national growth for those types of sales. However the State taxable retail sales, which include durable goods (other than automobiles), building materials and equipment, grew at a considerably lower rate in August, providing some evidence of the shifting consumer spending patterns. Non-Virginians may add some additional stimulus this fall to both of our retail sales indicators, if the recent experience in Williamsburg is a general indicator. After a flat performance in June and July, the number of visitors to Williamsburg surged strongly in August and September compared to last year, providing tentative evidence that tourism is beginning to grow again as the durable goods boom slows down.

The most surprising change in September was the growth of 21.8 percent in building permits, compared to only a 4.0 percent year-over-year change in August. The building permits series always has been erratic in its month to month changes, so this one-month surge should be viewed with caution in assessing the future. However, building permit growth was very strong in nine of the seventeen urban areas, while declining in eight areas. This pattern suggests some very substantial new nonresidential construction is planned in many urban areas, but residential construction is declining under the weight of higher interest rates and slower income growth.

Turning to the individual areas, a "western curl" traced by Staunton, Lynchburg, Roanoke, and Bristol had strong advances in September. However, if building permit activity is considered along with the other indicators, then an "eastern curve" of strong September growth also is evident, along a line through Alexandria, Fredericksburg, Williamsburg, and Newport News. Those eight areas

SELECTED BUSINESS AND ECONOMIC INDICATORS FOR 17 CITIES

TABLE I September, 1984

Monthly Index (Northwest Virginia) & City Index (Southwest Virginia)
Same Month as Base Period (1977) - Base Period = 100

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS- PAPER ADV. (INCL.)	NEW CAR REGISTRATIONS	NON-AGRI. CULTURAL EMPLOYMENT†	WATER CONSUMED	RETAIL SALES ‡	POSTAL RECEIPTS
The State		273.9	135.1	129.6	98.4	216.6	126.7	91.1	161.8	258.2
Alexandria	176.8	200.4	334.6	132.1	N.A.	107.2	134.0	96.5	241.6	N.A.
Bristol	133.7	250.6	402.4	87.4	73.1	96.3	N.A.	106.3	150.2	254.0
Cape Charles - Exmore	130.5	52.6	1829.8	126.2	N.A.	82.1	N.A.	N.A.	138.8	158.5
Charlottesville	206.3	320.0	36.9	122.1	N.A.	120.1	N.A.	120.7	264.7	286.9
Danville	142.2	N.A.	123.9	110.2	112.3	74.1	N.A.	81.1	186.1	201.3
Franklin	129.6	N.A.	21.2	99.2	111.9	108.1	N.A.	98.0	155.5	213.2
Fredericksburg	193.5	361.6	242.9	N.A.	139.0	138.7	N.A.	65.0	229.3	324.2
Harrisonburg	178.8	45.4	772.0	N.A.	114.0	73.1	N.A.	133.9	234.7	226.4
Lynchburg	202.6	312.5	77.2	115.7	N.A.	83.3	N.A.	112.8	196.4	517.2
Newport News - Hampton	124.8	177.2	446.4	120.1	82.1	89.7	129.7	123.2	164.6	N.A.
Norfolk - Va. Beach - Portsmouth	136.2	276.9	160.2	146.7	87.4	93.9	122.4	77.4	228.7	N.A.
Petersburg	114.4	111.9	94.2	N.A.	83.6	58.5	N.A.	96.1	139.3	163.9
Richmond	132.6	280.0	97.4	148.4	113.9	97.8	115.6	108.8	175.8	226.8
Roanoke	165.2	367.9	32.7	99.2	143.9	70.3	111.2	94.2	217.6	261.3
Staunton	140.8	109.5	67.9	N.A.	79.3	88.2	N.A.	N.A.	163.2	187.4
Williamsburg	163.6	150.1	147.7	160.3	N.A.	105.1	N.A.	106.4	160.7	291.5
Winchester	151.7	216.1	48.3	122.7	171.8	104.7	N.A.	127.5	145.7	250.0

TABLE II September, 1984

Percentage Change from same month last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS- PAPER ADV. (INCL.)	NEW CAR REGISTRATIONS	NON-AGRI. CULTURAL EMPLOYMENT†	WATER CONSUMED	RETAIL SALES ‡	AUG. RETAIL SALES §
The State		-11.7	21.8	-7.1	7.1	17.7	4.2	-3.2	7.2	6.7
Alexandria	4.0	5.3	206.5	-12.3	N.A.	-2.2	6.9	1.5	12.3	17.8
Bristol	10.7	8.2	245.2	-1.3	-5.4	15.9	5.3	7.7	19.4	-4.8
Cape Charles - Exmore	-7.2	-28.1	711.9	-1.6	N.A.	7.4	N.A.	N.A.	-13.9	15.3
Charlottesville	4.9	6.4	-59.7	-2.4	N.A.	44.3	0.0	-2.7	-3.2	-8.5
Danville	N.A.	N.A.	-6.5	-6.9	16.4	-6.4	1.0	-3.9	1.3	5.2
Franklin	1.7	N.A.	-75.3	-16.3	6.4	34.7	N.A.	-18.2	1.8	11.2
Fredericksburg	3.4	-55.6	155.9	N.A.	1.3	35.4	N.A.	-3.4	-2.7	21.0
Harrisonburg	2.1	73.1	61.1	N.A.	2.8	1.5	N.A.	-2.7	3.6	-0.7
Lynchburg	8.3	-37.4	-92.1	-8.3	N.A.	5.0	2.5	-20.3	24.8	-0.7
Newport News - Hampton	6.0	-3.8	184.2	-6.4	10.0	21.6	5.3	0.3	-5.5	7.4
Norfolk - Va. Beach - Portsmouth	5.0	-14.7	-16.0	-4.5	7.6	22.7	5.0	-7.0	5.3	2.6
Petersburg	-0.9	5.8	1091.4	N.A.	-10.6	6.7	-2.7	-5.1	1.3	-1.4
Richmond	3.8	-7.0	-36.6	-6.7	4.0	33.6	3.5	-7.0	0.9	2.9
Roanoke	8.1	-22.4	-19.1	-4.2	10.9	3.7	8.9	-9.4	16.3	10.7
Staunton	16.6	30.6	34.6	N.A.	7.9	35.8	N.A.	N.A.	13.5	-9.5
Williamsburg	5.7	74.4	-40.0	-1.8	N.A.	28.1	N.A.	8.3	3.2	19.2
Winchester	1.5	7.1	-49.9	-1.2	11.7	14.2	N.A.	6.5	-6.8	9.4

TABLE III

Percentage Change January - September from same period last year

CITY	CITY INDEX*	BANK DEBITS*	BUILDING PERMITS	ELECTRICITY CONSUMED	NEWS- PAPER ADV. (INCL.)	NEW CAR REGISTRATIONS	JAN.-AUG. NON-AGRI. CULTURAL EMPLOYMENT†	WATER CONSUMED	RETAIL SALES ‡	JAN.-AUG. RETAIL SALES §
The State		1.6	26.9	5.4	12.1	18.8	4.3	1.5	-8.7	20.1
Alexandria	-9.2	-28.0	11.1	1.8	N.A.	14.6	5.4	1.7	12.5	24.9
Bristol	16.9	-1.6	85.6	7.4	-0.9	24.1	3.8	17.1	23.5	16.7
Cape Charles - Exmore	-1.3	-3.4	12.7	-1.8	N.A.	29.3	N.A.	N.A.	-6.5	15.8
Charlottesville	2.9	29.1	102.1	7.2	N.A.	14.1	1.7	-8.8	-0.8	21.1
Danville	6.7	5.6	79.4	4.4	13.1	14.8	2.5	2.7	4.5	17.0
Franklin	-6.8	5.8	-39.4	3.7	-1.8	49.0	N.A.	-8.1	6.1	18.5
Fredericksburg	11.8	-80.1	7.0	N.A.	8.0	16.2	5.8	-0.4	9.7	40.1
Harrisonburg	-9.0	-43.6	83.0	5.8	10.8	11.1	N.A.	3.1	9.2	25.0
Lynchburg	12.1	-91.1	-16.1	5.0	-80.6	15.1	1.8	-4.6	26.9	20.1
Newport News - Hampton	16.1	7.7	34.3	1.8	12.4	12.4	5.1	-2.1	11.0	15.1
Norfolk - Va. Beach - Portsmouth	13.1	-10.1	14.8	3.8	1.8	18.0	1.0	10.0	8.6	19.2
Petersburg	1.4	-6.9	328.2	N.A.	-5.1	17.1	-1.8	-7.7	2.8	11.1
Richmond	9.3	4.0	15.8	20.1	18.8	21.1	-1.7	-0.7	9.8	17.8
Roanoke	14.8	2.5	8.1	6.1	11.0	18.4	1.4	0.6	16.1	21.1
Staunton	3.8	31.1	12.9	9.8	1.8	15.9	5.3	9.8	10.2	18.0
Williamsburg	6.7	27.1	46.9	7.2	N.A.	17.4	5.0	8.0	2.6	17.6
Winchester	9.1	11.2	10.8	6.4	18.0	25.4	8.1	4.0	1.7	10.4

*Computation of City Index is based upon a weighted arithmetic index of selected business and economic indicators listed except Building Permits and Bank Debits, which are included because of their highly erratic behavior. Virginia Employment Commission data which are based on current reports.
†Preliminary data based on a survey sample.
‡Revised data based on sales tax information which does include current reports.

N.A. - Not Available
- - - No Change

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SELECTED BUSINESS AND ECONOMIC INDICATORS
FOR 17 CITIES

TABLE IV

	BUILDING PERMITS Percentage Change January - September			NEW CAR REGISTRATIONS Percentage Change January - September		
	1982 - 1983	1983 - 1984	1982 - 1984	1982 - 1983	1983 - 1984	1982 - 1984
The State	52.1	20.9	83.9	23.0	18.8	46.1
Alexandria	174.7	11.1	226.2	25.3	14.6	43.6
Bristol	-1.5	85.5	82.6	38.5	24.1	72.0
Cape Charles - Exmore	160.1	22.7	279.7	30.0	29.5	68.4
Charlottesville	12.8	102.1	138.1	29.8	14.1	48.1
Danville	7.9	79.9	83.2	51.5	14.8	73.9
Franklin	28.0	-36.4	-16.6	11.3	29.0	43.6
Fredericksburg	328.8	-17.8	120.6	26.4	34.2	69.5
Harrisonburg	239.8	43.2	484.6	19.4	12.3	34.1
Lynchburg	27.5	-16.1	7.0	41.3	18.5	64.6
Newport News - Hampton	16.3	-54.5	-79.7	19.8	21.4	45.4
Norfolk-Portsmouth-VA Beach	54.8	12.5	74.3	23.9	18.5	46.8
Petersburg	-17.9	318.8	243.3	36.5	15.1	57.1
Richmond	0.9	15.5	16.5	19.0	27.5	51.7
Roanoke	98.5	8.5	116.5	-6.1	18.9	11.6
Staunton	27.4	12.4	43.2	16.0	23.9	43.7
Williamsburg	79.5	56.9	199.5	29.7	17.9	56.9
Winchester	-4.4	-5.8	-10.1	30.6	17.6	53.6

TABLE V

	TAXABLE RETAIL SALES Percentage Change January - September			NONAGRICULTURAL EMPLOYMENT Percentage Change January - September		
	1982 - 1983	1983 - 1984	1982 - 1984	1982 - 1983	1983 - 1984	1982 - 1984
The State	12.6	26.7	35.0	7.5	4.3	5.9
Alexandria	16.2	24.4	46.0	9.5	6.4	9.0
Bristol	4.0	16.7	20.4	-1.0	3.8	2.8
Cape Charles - Exmore	10.6	15.8	28.1	N.A.	N.A.	N.A.
Charlottesville	11.1	27.1	34.5	4.3	1.7	6.1
Danville	8.0	13.9	26.4	1.5	1.5	3.2
Franklin	4.1	18.5	23.4	N.A.	N.A.	N.A.
Fredericksburg	19.5	40.2	67.5	N.A.	N.A.	N.A.
Harrisonburg	48.8	25.5	86.7	N.A.	N.A.	N.A.
Lynchburg	7.1	20.1	28.6	-1.3	3.4	2.3
Newport News - Hampton	10.8	15.1	27.5	3.9	5.1	9.2
Norfolk-Portsmouth-VA Beach	14.9	19.6	37.0	2.5	7.0	7.3
Petersburg	14.7	18.1	39.7	-4.2	-1.8	-6.0
Richmond	15.4	17.8	35.9	6.0	2.0	2.2
Roanoke	11.8	11.3	35.6	1.2	1.5	4.7
Staunton	7.2	8.1	15.9	N.A.	N.A.	N.A.
Williamsburg	14.9	15.9	33.2	N.A.	N.A.	N.A.
Winchester	19.7	37.4	58.5	N.A.	N.A.	N.A.

N.A. - Not Available
0.0 - No Change

include cities with very different proportions of manufacturing and nonmanufacturing activity, suggesting Statewide a broad mix of forces lies behind the continued growth being experienced in Virginia.

RLP

The First Three Quarters of 1983 and 1984

The first three quarters of 1984 are now behind us. So, we felt it would be appropriate to review how some of the Virginia economic indicators behaved for that period in 1984 compared to the first three quarters of 1983, and also show the cumulative change since the first three-fourths of 1982 when we still were in the last recession. This review will provide a perspective for next month's article in which we will turn to the prospects for 1985.

Tables IV and V give the cumulative percentage changes for comparable periods in 1983 and 1984, as well as the cumulative change since 1982, for the State and each of the seventeen urban areas we cover. We chose to focus on four variables. Building permits and new car registrations were selected because these typically are leading indicators. Building permits quite logically precede construction spending and the later expenditures to furnish or equip the new houses, offices, stores, or factories. Both building permits and new car registrations represent demand decisions based on a long-term outlook, plus they are sensitive to interest rates which have a large impact on the total cost. Therefore they both generally are leaders in an economic recovery. The behavior of these two variables is detailed in Table IV. The other two variables, whose growth is shown in Table V, are retail sales subject to the Virginia General

Sales and Use Tax (which do not include new car sales); and nonagricultural employment, for the metropolitan areas for which we have cumulative data. The retail sales growth tends to coincide with general economic recovery, but then turn down before a recession begins. Nonagricultural employment growth, on the other hand, typically lags somewhat as a recovery starts, because businesses first increase production with their existing workforce, waiting until the upturn in demand has proven to be continuing and puts pressure on existing resources before they hire substantial numbers of new workers. At peaks in general economic activity, employment growth tends to lead or coincide, since businesses become aware of declines in new orders and lower backlogs and reduce their hiring before production actually declines. Therefore these four variables are expected to follow different patterns over time, providing a set of signals about current conditions and the future.

Looking at the State's performance, the first three quarters of 1983 followed a typical recovery pattern. Building permits and new car registrations were strong leaders, up 52.1 percent and 23.0 percent, respectively. Retail sales rose a lower, but respectable, 12.6 percent. And the laggard was employment growth, which was only 1.5 percent. Virginia employment (on a seasonally adjusted basis) did begin to grow in January 1983, only one month after the national upturn officially began. However, demand had to recover to pre-recession levels before employment began to grow strongly.

By 1984, when the Commonwealth as well as the nation had recovered lost ground and were expanding to new heights, the growth rates changed accordingly. Virginia's growth in building permits slowed to 20.9 percent over the first three quarters of 1984. However, that still was a very strong performance, especially since interest rates began rising in the spring. Remember, too, that the 20.9 percent increase was a gain from the high levels in the same period in 1983, so the cumulative result was building permits for the first three-fourths of 1984 were 83.9 percent above the level for the first three quarters of 1982. The recent high level was a stimulant for the many types of retail sales which follow new construction. The growth in new car registrations also slowed down in the first three quarters of 1984, to 18.8 percent. However, that was much higher growth than expected: high consumer confidence and pent-up demand from the four years 1979-1982, as well as substantial growth in real income, kept consumer durable goods demand well above the norm for this phase of the expansion. Cumulatively, new car registrations to date in 1984 have been 46.1 percent above the same period in 1982.

The broad strength of the expansion this year is most clearly confirmed by the growth rates for retail sales and nonagricultural employment. For these two series, data are only available through August, so all comparisons are for the first eight months of each year. For that period in 1984, retail trade in the Commonwealth grew by 20.1 percent, a sharp acceleration from the 12.6 percent in 1983, and well above the national pace. Therefore for 1984 to date Virginia's retail sales have been 35.2 percent above the same period in 1982. That growth has generated very high gains in retail trade employment, and it also explains some of the continued growth in nonresidential construction as new shopping facilities have been built to accommodate this demand growth. Even more importantly, the overall sustained economic growth in Virginia has produced an employment growth rate so far in 1984 of 4.3 percent, almost

three times the growth rate for the same period in 1983. This put employment 5.9 percent above the level for the first eight months of 1982. The income, confidence, and spending plans which accompany this high employment are a major strength sustaining Virginia's current expansion.

Virginia is a sufficiently large and balanced economy for its performance to be similar to the national one. Not parallel, since we definitely have outperformed the nation on nearly all counts, but similar in the direction of growth for most indicators. However, when we move to the individual urban areas, they have quite specific characteristics, strengths and weaknesses. Therefore for these smaller areas, the typical national and State patterns of growth are not likely to be followed as closely, especially during the first seven quarters of a recovery and expansion. If stable national growth is maintained over several years, then smaller areas tend to share in this growth more equally. And, as we noted last month, the performance in many of the State's metropolitan areas is beginning to converge to the overall pattern for the Commonwealth. But, in the last two years, the growth rates in individual urban areas for the four economic variables examined here have varied widely and in some instances followed atypical patterns, as shown in Tables IV and V.

For example, Danville had minimal building permit growth in the first part of 1983, 1.9 percent, but a 7.9 percent advance for the first three quarters of 1984. Cumulatively, the level for the first part of 1984 was 83.3 percent above the same period in 1982, almost exactly the State's growth even though the timing was different. Their new car demand surged during early 1983 at a rate well above the State's, then fell to below-average growth so far in 1984. But, the two-year growth raised the level of new car registrations to 73.9 percent above the same period in 1982, above-average growth. General retail sales growth moved more in tandem with the State pattern, but at lower rates: 8.0 percent for the 1983 period, and 17.0 percent in 1984 to date, yielding cumulative growth of 26.4 percent above the first eight months of 1982. Overall, their above-average ratio of manufacturing employment to total employment, and the lack of growth this year in tobacco and textile manufacturing employment, has held total employment growth to a lower, nonaccelerating pace in spite of rising construction and retail trade activity.

Many other areas, such as Fredericksburg, Newport News, Franklin, Winchester, and Petersburg, have marched to a different drummer in the last two years, with both timing and levels of growth for various indicators that varied substantially from the State and national averages. For these and the other areas reported, we leave it to our readers to compare their area's pattern to the State relationships, consider what specific circumstances produced these results, and weigh the forces at work which are likely to move their area towards a more normal growth pattern in the future.

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